

Message Text

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ACTION EB-03

INFO OCT-01 SS-14 ISO-00 IO-06 ARA-06 EA-06 EUR-08
INR-05 CIAE-00 NSC-05 NSCE-00 INRE-00 SSO-00 SP-02
L-01 TRSE-00 OMB-01 IGA-01 OIC-01 /060 W
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O R 091504Z MAY 77

FM USMISSION GENEVA

TO SECSTATE WASHDC NIACT IMMEDIATE 7178

INFO AMEMBASSY BRASILIA

AMEMBASSY BUENOS AIRES

AMEMBASSY CANBERRA

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY SANTO DOMINGO

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C O N F I D E N T I A L SECTION 1 OF 2 GENEVA 3523

LIMDIS

DEPT FOR ASST SEC KATZ

E.O. 11652: GDS

TAGS: UNCTAD EAGR ETRD

SUBJECT: UN SUGAR NEGOTIATIONS: FIRST MEETING OF MAJOR IMPORTERS
AND EXPORTERS

SUMMARY: REPRESENTATIVES OF THE THREE LARGEST IMPORTER
PARTICIPANTS AT THE CONFERENCE (US, JAPAN, CANADA) AND
FIVE LARGE EXPORTERS (CUBA, BRAZIL, DOMINICAN REPUBLIC,
AUSTRALIA, ARGENTINA) MET INFORMALLY AND UNOFFICIALLY
SATURDAY MORNING MAY 7 TO DISCUSS THE MAJOR QUESTIONS
BEFORE THE WORKING GROUP ON STOCKS AND QUOTAS (WG I).
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ALTHOUGH NO DECISION WERE REACHED, COMMON GROUND
EMERGED ON SEVERAL ISSUES AND THE ATMOSPHERE WAS EXCELLENT.
THIS INFORMAL GROUP WILL MEET AGAIN. END SUMMARY.

1. REPRESENTATIVES OF THREE IMPORTERS AND FIVE EX-
PORTERS MET SATURDAY, MAY 7, TO TRY TO EXAMINE THE KEY
QUESTIONS BEFORE WG I. RAFFAELI OF BRAZIL SPOKE FOR

EXPORTERS AND GEORGE MUSGORVE OF CANADA SPOKE FOR IMPORTERS.

2. EXPORTER POSITIONS ON WG I QUESTIONS WERE SUMMARIZED BY RAFFAELI AS FOLLOWS:

(A) ISA SHOULD CONTAIN A SCHEDULE OF MARKET SHARES, EXPRESSED AS PERCENTAGES OR BASIC EXPORT TONNAGES (BETS).

(B) EXPORTERS NEED TO KNOW THEIR MARKET SHARES AND A MOVING AVERAGE AS SUGGESTED BY IMPORTERS DOES NOT PROVIDE THIS SECURITY.

(C) MARKET SHARE SCHEDULE SHOULD REMAIN FIXED FOR THE FIRST TWO YEARS OF THE AGREEMENT.

(D) MARKET SHARES COULD BE CHANGED AFTER THE SECOND YEAR AND EXPORTERS NOW DISCUSSING AMONG THEMSELVES HOW THIS MIGHT BE DONE.

(E) EXPORTERS WANT A MINIMUM EXPORT ENTITLEMENT BELOW WHICH THEIR QUOTAS COULD NOT BE CUT, BUT RECOGNIZE THE DANGERS UNLESS THE MINIMUM EXPORT ENTITLEMENTS ARE REALISTIC.

(F) A GLOBAL QUOTA SET BY THE COUNCIL WITH SEMI-ANNUAL REVIEW IS ACCEPTABLE BUT EXPORTERS WOULD OPPOSE GIVING THE COUNCIL AUTHORITY TO CUT QUOTAS BELOW THE MINIMUM EXPORT ENTITLEMENT.

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(G) SHORT FALL REDISTRIBUTION SHOULD BE AUTOMATIC IN THE UPPER SECTOR OF THE PRICE RANGE, DISCRETIONARY BY THE COUNCIL IN THE MIDDLE SECTOR, AND PROHIBITED AT THE LOWER SECTOR.

(H) EXPORTERS DO NOT LIKE THE IDEA OF SHORTFALL PENALTIES, WOULD PREFER SOME OTHER WAY TO MAKE SYSTEM WORK.

(I) EXPORTERS BELIEVE AN AGREEMENT NEEDS RESTRICTIONS ON NON-MEMBER IMPORTS AND A PROHIBITION WHEN PRICES ARE LOW.

(J) EXPORTERS IN PRINCIPAL ACCEPT MINIMUM STOCKS OF 10 PERCENT BUT THERE ARE SOME PROBLEMS STILL TO BE DISCUSSED AMONG THEM.

(K) QUOTAS MUST BE THE MAIN DEFENSE MECHANISM, PERHAPS SUPPLEMENTED BY STOCKS. QUOTAS SHOULD BE IN OPERATION OVER MOST OF THE PRICE RANGE.

3. MUSGROVE RESPONDED BY OUTLINING IMPORTER VIEWS ON
THE KEY ISSUES AS FOLLOWS:

(A) IMPORTERS BELIEVE ISA NEEDS A MORE OBJECTIVE WAY TO
DETERMINE MARKET SHARES AND SUGGEST USING A HISTORICAL BASIS.
IMPORTERS CANNOT ACCEPT NEGOTIATED RENTS. IMPORTERS CAN AGREE
THAT QUOTA SHARES COULD BE REVISED AFTER TWO YEARS IF A
FORMULA IS AGREED UPON.

(B) IMPORTERS UNDERSTAND THE EXPORTERS WISH FOR A MINIMUM
EXPORT ENTITLEMENT. HOWEVER, IMPORTERS AGREE ON THE
GLOBAL QUOTA APPROACH AND BELIEVE THE COUNCIL MUST
HAVE AUTHORITY TO MAKE ADJUSTMENTS TO GLOBAL QUOTAS.

(C) QUOTA SHARES MUST ACCORD WITH THE EXPORTERS ABILITY
TO SUPPLY.

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O R 091504Z MAY 77

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INFO AMEMBASSY BRASILIA

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(D) IMPORTERS FEEL STRONGLY THAT THE QUOTAS SYSTEM CAN

WORK ONLY IF IT CONTAINS EFFECTIVE SHORTFALL PROVISIONS.

(E) ALL IMPORTERS AGREE THAT QUOTAS SHOULD BE USED TO DEFEND THE MINIMUM PRICE WITHIN THE WIDE RANGE. IN THE MID-RANGE THE AGREEMENT SHOULD LET MARKET FORCES OPERATE. IN THE UPPER RANGE THE MAXIMUM PRICE MUST BE EFFECTIVELY DEFENDED.

(F) IMPORTERS CANNOT AGREE TO QUOTAS OPERATING THROUGHOUT THE FULL RANGE. IN THE MID-RANGE MARKET FORCES MUST CONFIDENTIAL

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OPERATE FREE OF QUOTAS.

(G) IMPORTERS CANNOT AGREE TO PROHIBIT ENTRY OF NON-MEMBER SUGAR.

(H) IMPORTERS BELIEVE A 10 PERCENT MINIMUM STOCK IS NOT ENOUGH CONSUMER PROTECTION. A MORE SUBSTANTIAL STOCK, UNDER STRICT CONTROL IS NEEDED TO KEEP PRICES WITHIN THE UPPER LIMIT.

4. IN THE SUCCEEDING DIALOGUE MUSGROVE REITERATED IMPORTER OPPOSITION TO BETS. EXPORTERS REAFFIRMED THEIR DESIRE FOR FIXED QUOTA SHARES IN THE FIRST TWO YEARS OF THE AGREEMENT.

5. THE US MADE CLEAR ITS INABILITY TO PROHIBIT IMPORTS FROM NON-MEMBERS, BUT SAID IT COULD PROBABLY AGREE TO PROVISIONS WHICH INSURE NON-MEMBERS ARE NOT ADVANTAGED.

6. EXPORTER SKEPTICISM OF THE EC POSITION WAS PRONOUNCED WHEN THE US DEL INQUIRED AS TO HOW THE EC MIGHT BE BROUGHT INTO THE NEGOTIATIONS. ALL EXPORTERS AGREED IT WOULD BE DESIRABLE IF THE EC WERE TO JOIN, BUT THEY CLEARLY HAVE GIVEN UP HOPE. ONLY AUSTRALIA SEEMED WILLING TO SEEK AN ACCOMMODATION WHICH MIGHT BRING THE EC INTO THE ISA. EXPORTERS APPEAR UNANIMOUS IN WANTING VERY STRONG NON-MEMBER PROVISIONS TO PROTECT THEMSELVES AGAINST SUBSIDIZED EC EXPORTS.

7. IN THE COURSE OF DISCUSSION EXPORTERS AGREED THAT IT IS MOST IMPORTANT TO HAVE REALISTIC DISTRIBUTION OF MARKET SHARES OF BETS. THROUGHOUT THE DISCUSSION RAFFAELI AND MUSGROVE DID MOST OF THE TALKING WITH ONLY OCCASIONAL INTERVENTIONS FROM OTHER PARTICIPANTS. NONETHELESS, THE TONE AND ATMOSPHERE OF THE DISCUSSION WAS BUSINESSLIKE AND THE MANY DIFFERENCES IN APPROACH DID NOT SEEM INSURCONFIDENTIAL

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MOUNTABLE. THE MEETING LASTED ROUGHLY THREE HOURS AND
AT ITS CONCLUSION PARTICIPANTS AGREED TO MEET AGAIN AT A
LATER, UNSPECIFIED DATE. ALTHOUGH PARTICIPANTS AGREED
THE MEETING WOULD BE HELD CONFIDENTIAL U.S. TRADE ADVISORS
HAD WORD OF IT FROM NON US SOURCES BY THE FOLLOWING
MONDAY MORNING.SORENSEN

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Message Attributes

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